



Milk Pricing

NEWSLETTER

Dairy Marketing Branch, CDFA

July 2002

NATIONAL COMMODITY PRICES CONTINUE TO BE SLUGGISH

The minimum price of milk, established by the Department each month, is the price that dairy processors must pay for milk used to produce dairy products. National commodity prices, primarily butter, Cheddar cheese, and nonfat dry milk, are significant factors in determining the minimum milk price (See *national commodities prices chart on page 2*).

The national commodity price for butter decreased compared to last month and caused the price for whole milk to decrease by one and six tenths of a cent per gallon. Similarly, reduced-fat milk decreased nine tenths and lowfat five tenths of a cent per gallon. Skim milk prices were unchanged.

The national commodity price for Cheddar cheese continues to decline and cheese offerings are exceeding demand. The hot and humid weather of summer is causing cows to produce less butterfat, thus slowing butter production. Cream demand from ice cream plants is on the increase, but overall, consumer demand for dairy products is down from last year levels. This could partly be due to the sluggish economy and the fact that despite national commodity prices being down, retail prices for cheese, butter, and ice cream have gone up.

The table below shows individual prices for the four types of fluid milk by container size and the price changes from the previous month. The prices listed represent the minimum price paid by processors for the milk only - no other processing costs are included.

Minimum Prices for the Four Types of Fluid Milk by Container Size for August 2002

Northern California	Gallon	1/2 Gallon	Quart	Pint	1/3 Quart	1/2 Pint
Whole Milk	\$1.060	\$0.530	\$0.265	\$0.132	\$0.088	\$0.066
Reduced Fat (2%)	\$1.006	\$0.503	\$0.251	\$0.126	\$0.084	\$0.063
Lowfat (1%)	\$0.978	\$0.489	\$0.245	\$0.122	\$0.082	\$0.061
Nonfat (Skim)	\$0.759	\$0.379	\$0.190	\$0.095	\$0.063	\$0.047

Southern California	Gallon	1/2 Gallon	Quart	Pint	1/3 Quart	1/2 Pint
Whole Milk	\$1.083	\$0.542	\$0.271	\$0.135	\$0.090	\$0.068
Reduced Fat (2%)	\$1.029	\$0.515	\$0.257	\$0.129	\$0.086	\$0.064
Lowfat (1%)	\$1.002	\$0.501	\$0.251	\$0.125	\$0.084	\$0.063
Nonfat (Skim)	\$0.783	\$0.392	\$0.196	\$0.098	\$0.065	\$0.049

Price Changes from the Previous Pricing Period

	Gallon	1/2 Gallon	Quart	Pint	1/3 Quart	1/2 Pint
Whole Milk	\$0.016 ↓	\$0.008 ↓	\$0.004 ↓	\$0.002 ↓	\$0.001 ↓	\$0.001 ↓
Reduced Fat (2%)	\$0.009 ↓	\$0.005 ↓	\$0.002 ↓	\$0.001 ↓	\$0.001 ↓	\$0.001 ↓
Lowfat (1%)	\$0.005 ↓	\$0.002 ↓	\$0.001 ↓	\$0.001 ↓	\$0.000	\$0.000
Nonfat (Skim)	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000

California Department of Food and Agriculture (CDFA)

William (Bill) Lyons Jr., Secretary

Price Information Lines: (800) 503-3490 within California; (916) 442-MILK outside California
Phone (916) 654-1456; Website: www.cdfa.ca.gov/dairy; email address: dairy@cdfa.ca.gov

Minimum Prices for the Milk Component of Various Manufactured Dairy Products

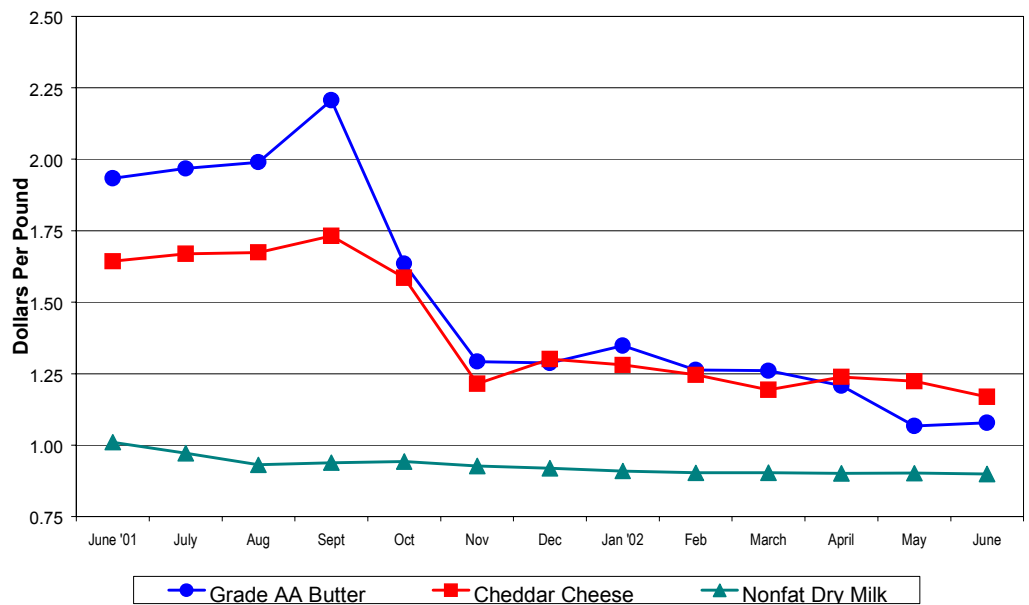
The minimum prices for the raw milk component used by processors in manufacturing dairy products are listed in the table to the right. No other costs incurred by the processor are included, such as:

- milk quality premiums,
- milk composition premiums,
- competitiveness for availability of milk premiums,
- transportation costs,
- plant processing costs,
- service charges

	Lowfat Yogurt (\$/quart)	Super- Premium Ice Cream (\$/1/2 gal)	Generic Ice Cream (\$/1/2 gal)	Butter (\$/lb)	Cheese (\$/lb)
February	\$0.21	\$1.32	\$0.51	\$1.11	\$1.04
March	\$0.21	\$1.32	\$0.51	\$1.10	\$1.02
April	\$0.20	\$1.25	\$0.48	\$1.04	\$1.06
May	\$0.20	\$1.25	\$0.48	\$0.92	\$1.02
June	\$0.20	\$1.16	\$0.45	\$0.90	\$0.96
July	\$0.20	\$1.16	\$0.45	—	—

National Commodity Prices for June 2001 - June 2002

Grade AA Butter,
Cheddar Cheese, and
Nonfat Dry Milk Prices
Used in the Calculation
of California Milk
Prices



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